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RELATIONSHIP MANAGEMENT

Strong relationship management is the key catalyst for success in any interpersonal business such as financial services. This applies at the retail, commercial, corporate and wealth management levels. Many financial institutions have invested years in building and improving relationship management since it is key to creating depth of loyalty, which drives profitability.

At the retail level the challenges today in protecting and developing customer relationships appear more difficult with the multiple non-personal channels accessed by individuals virtually. There are fewer branch visits and direct interfaces. Obviously, this omni channel environment requires new adaptations in relationship practices. Let's never forget that these "personal connections" are as important as the institutions' abilities to provide seamless sales and service virtually. In fact, some consumers have built their relationships due to individuals' continuous efforts as well as the reputation of the institution. Even in retail banking reinforcing these "personal contacts" can be a strong asset in protecting the customer against competitors or during disputes. The more we identify and reinforce recognizing people in relationship contacts via any channel, the better the reception and responses.

In commercial banking, from independent businesses to established commercial status, individual relationships are a beneficial variable to the customer and the institution. Entrepreneurs need different services and advice from the business with a few millions in sales. Unfortunately some financial institutions try to base relationship management practices solely on "account profitability" and therefore are more reactive than proactive with new or emerging businesses who are looking for "real relationship" support. When economies get difficult you can find financial institutions that will turn off the lending tap when it is key to survival. The person and business dimensions of the independent businesses also need dual contact management to cover off all customer concerns and recognize the totality of the relationship.

When businesses graduate into the corporate banking level, generally an account management team is assigned to each client. The team can include a couple executives, a lead account manager and specialty support officers depending on the complexity of operations. The "banking blanket" approach is used in many industrial marketing landscapes. The corporate account manager is the quarterback of multiple, timely interfaces within the clients' management levels. A corporation evaluates bank relationships regularly and may permit competitors to have a "foothold test" on a credit line or project. The primary institutions have to ramp-up their intensity when erosion starts.

The one area of relationship management which is more complex and where divided loyalties can emerge is in wealth management. Most customers will tell you that they deal with a specific person at a particular institution. The relationship manager or counsellor is critical to the customer as the financial planner is investing customer wealth with degrees of freedom given agreed parameters. Although WESI does not consult with customers, this is the area where we get personal requests for advice when people are troubled with their portfolios, which happened frequently during the recession. The majority of instances were handled gently by suggesting to the customer and financial planner to have a more educative and understanding relationship. In a few others, the portfolios had to be switched to new financial planners/institutions due to risky practices out of line with seniors' priorities. The key point with wealth management is that the customer counsellor is the centre of the relationship and the institution is in a secondary position. Perhaps this is a relationship area requiring a more cooperative bond?

Relationship management is the centrepiece of good business, be it financial services or consulting such as we do at WESI. Customers are the foundation of business at any level and we have to earn the right to have those relationships constantly.

CANADA

Top Canadian Brands - 2014

1. RBC
2. TD
3. Scotiabank
4. Bank of Montreal
5. Bell Canada
6. CIBC

Rate Supermarket Survey – Bank Switching

Most Canadians are happy enough with the Big 5 banks, that once chosen they will stick with the brand long after the on-boarding period or honeymoon, says RateSupermarket.ca. Canadians highly value trust and convenience when managing their money but some Canadians can be convinced to switch if it means saving money. A survey found 84% of consumers would consider a move as long as they would pocket an average of $644.43.

A 2013 JD Power study found smaller banks record big year over year gains in some service categories – channel activities, product offerings, financial advice and problem solving.

Credit unions are also making positive improvements with members in the same loyalty categories as the banks. Credit unions also continue to benefit from the perception that banks are profit driven and not consumer focused. Low to no-fee accounts are among credit unions' biggest attractions.

The survey's bottomline was that staying with a specific primary bank, influences choices made for other banking products.

U.K.

Competition & Markets Authority (CMA) Probe British Banks

CMA is set to conduct a comprehensive investigation of British banking later this year to improve competition. Forcing banks to charge the economic cost of their services would severely impact "free banking" but it would permit real price comparisons. Obviously profits would be negatively impacted.

Understanding Global Millennials – An SDL Customer Experience Research Report Highlights

67% touch two different devices daily (30% - 4 different devices)
43 touch smartphones 43 times a day
60% want to feel the same when dealing with any channel of a company
58% expect to engage a company whenever and however they choose

Study found companies are not keeping pace with customer centric omni-channel engagement.

Mobey Forum: Prepaid will be a Defining Force in the Future of Mobile Commerce

Innovative prepaid service models and second-generation mobile wallet solutions are mutually supportive. Banks must now recognize prepaid as a major driving force in wider mobile financial services.

"The introduction of host card emulation is likely to inject further energy in the prepaid model", Amir Tabakovic, Chair of the Mobile Wallet Workgroup, Mobey Forum. (www.mobeyforum.org).

U.S.A.

Credit Unions Pick up Market Share

Net population growth rates in the U.S.A. for the last 3 years have been:
2011 - .96%
2012 - .90%
2013 - .90%

(Note: World approximately 1.1, Australia 1.11 on declining trend and Canada about .8 on a steady decline)

Credit Unions net membership growth rates have been
2012 – 2.1%
2013 – 2.5% (97.5 million members)

Members have 26.5 million children under 18 years at home and only 12.1 million are members according to CUNA.

CUNA Member & Non-Member Survey 2014 –15 Highlights

May 2014 Gallup Poll of Americans:
41% think economy is getting better
53% think it is getting worse

June 2014 CNN Money Poll:
59% think the American Dream is unachievable
(2/3 or millennials feel this way)

Strong Economic Signals:
U.S. to grow 3% in 2014 + 3.75% in 2015
Unemployment 6.1% with 2.5 million jobs added in past year

Peoples/Members Financial Concerns:
57% retirement preparedness
52% enough rainy day savings
40% household adult losing a job

2014 year over year loan growth rate – 8.9%

Membership Profile – Current Members:

18 – 24	14%
25 – 34	25%
35 – 44	40%
45 – 54	34%
55 – 64	37%
65>	28%

Note: Only 7% of young adults that are non-members are aware of credit unions.

2014 BancVue Study on Gen Y (18-34):
Nearly 80% say mobile banking is at least somewhat important in selecting a FI
85% customizable rewards programs are somewhat important
88% cash-back programs are at least somewhat important

Note: Mobile banking users are twice as loyal as non-users

Net Promoter Scores:
Members 53% say credit union is their PFI (down from 59% in 2013)
NPS 42%

<u>The Future of U.S. Retail Banking Distribution (McKinsey & Company)</u>

65% of customers interact with their banks through multiple channels.

Customers who use mobile/online channels more than once a week are over 60% more likely to be active retail branch users than those who do not.

Transforming distribution and go-to-market strategies can improve the efficiency ratio by more than 7%.

1. Optimize multi-channel journeys for customers. Focus on cross-channel interactions from the customer's perspective.
    (i) Map & quantify customer pathways
    (ii) Design target end states that meet economic objectives
    (iii) Cross-functional rapid-prototyping
    (iv) Treat changes as a design exercise

    (Designate an owner of the customer experiences)

2. Design the branch network to achieve the minimum effective dose
   (i) Multi-format versus one-size fits all branches
   (ii) Geospatially enabled capabilities
   (iii) Demographic insights
   (iv) Optimize branches in locations that are difficult to exit
3. Empower the front line to make face-to-face interactions distinctive
4. Engage customers emotionally with sophisticated marketing strategies

Customer Experience Management Benchmark Series

78% of consumers feel that customer service departments of today's companies are generally not meeting their needs and expectations.

Experiences: Percentage of U.S. population to utilize Channel of Care within the past 12 months:

General (all channels)	28.7%
Traditional Care	28.3%
Interactive Care	15.4%
Social Media Care	10.6%

Square Cash Improves Apps

Competition such as Amazon plus consumer demands are stimulating expanded services at "Square". Square Cash was launched about a year ago as a person-to-person payment service to be used over e-mail. In less than a year, people have used Square Cash to send and receive hundred of millions of dollars.

A new update enables app users to initiate transfers and requests from the phone's contact list and lets users add a profile picture and track past payments and requests. Square Cash accounts are separate from the accounts consumers use to place orders with Square merchants.

Last year Google added the ability to send funds as e-mail attachments and PayPal began incorporating technology from Venmo (Braintree).

GUEST COLUMN
JOHN R. WRIGHT, WESI MANAGING DIRECTOR, U.K.

Banking – Back To The Future

At one time Banks stood right at the centre of the society they served, their employees were trusted figures and their services figured in the key life decisions of their Customers. In short, Banks had a purpose they were relevant. Today in stark contrast many, many Customers have lost confidence and trust in the Banking system and very often the actual dialogue between the Customer and the Bank has been lost and broken.

At the same time any number of other non Bank Financial Service Providers are threatening to make significant inroads into the Market and providing very serious competition. Banks really are struggling to respond, the old adage that "more of the same will not do" was never more true.

I guess the question really is can the Banks ever reengage effectively with their Customers, rebuild the trust and make themselves relevant again?

One of the great tragedy's of the last 15 years is that Consumer Banking i.e. providing Services to "ordinary" businesses and individuals has been marginalised within the Banks themselves, its not so long ago that you could look at a "universal" Bank and find that approximately 70% of all their profitability came from the SME Personal Banking Businesses. Because of the arrival of the Investment Bankers and "Casino Banking" from the late 90's onwards Consumer Banking was relegated to the 2nd division and the Investment Bankers ruled the roost and in effect utterly destroyed the Business Models and trust that Commercial Banks had worked for decades if not centuries to create.

So what is the way back? Is there a way back?

I think firstly the "relevant Bank" will be technology enabled – this means that many Banks will have to go back to square one, dismantle the miasma of legacy systems that they have created and rebuild Customer based, smart IT systems that really provide accurate and timely Customer information and allow Customers to interact effectively right across their Product Sets with their Bankers.

The “product push” model must change. It’s imperative that Banks tailor their offerings of Products and Services to different sets of Customers ensuring that they receive what they actually want and need and through channels and at a price that they prefer.

Banks again must become relevant socially and provide society with a positive, ethical trustworthy example and exercise positive influence in their communities.

They must be relevant economically returning to profit and offering Shareholders attractive and sustainable returns over time.

At the present time all we read about is Banks closing Branches, I think this is nuts! They are not asking themselves what Branch model works? They are simply down the road with the bean counters and in a very simplistic way taking out and removing capability. The Branch is a key element in the whole Distribution Channel Management structure. Certainly the traditional Branch model where it was all things to all people, a processing centre as well as a service and sales centre, is ineffective and obviously major changes have been made there.

It is vitally important in order to achieve what will be required in the way of a multi channel offering to ensure that Customer Information and Data is accurate and readily available. Equally important is the requirement to engage experts in structuring thorough and proper Market Research, which will drive into the various Segments. The concept of a “Market Segment of One” is not totally ludicrous!

There’ll be a requirement for trained and skilled and informed Staff, this will cost money but the payback should ease significantly. If that can be achieved then we can ensure that there would be good quality decisioning at or close to the interface with the Customer.

In short we need to make sure that every element of Data and Delivery Channels and Skills are available to interact with a number of Segments and deliver discrete Customer Value Propositions. In my opinion the Branch is an integral of this Multi Channel Delivery. None of this is easy of course and will require discipline and investment but the prize is potentially very large indeed!

I believe that Banks can be relevant again. I don't think it is a fantasy, it is desirable, credible and achievable, and it can leverage the most positive aspects of the past to create a viable and competitive future in existing and in new Markets. Making it happen though will require Leadership of the highest order with a great deal of vision and courage, the journey needs to start at once!

While Banks in the Gulf generally did not experience the massive disruption driven by the global financial crisis that impacted on many Banks in the West, there are nonetheless some powerful lessons here for Regional Banks. Bank competition in the Region especially for the Consumer and the medium and high net worth individuals is intensifying and there is, I believe, a tendency for many Banks to "copy" technology driven strategies prevalent in the West perhaps 5-10 years back i.e. somewhat dated? That being the case then there needs to be a significant repositioning and refocusing on the Customer and asking tough questions about the viability of the standalone branch in the absence of a complete suite of other channel access. Banks in the Region continue to open branches willy-nilly, that strategy needs to be reviewed in the light of the thoughts expressed in this Article!